

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:)
) Examination #0708-12-TGT
United Fire & Casualty Insurance Co.)
(NAIC #13021))

CURATIVE ORDER OF THE DIRECTOR

NOW, on this 11th day of ~~May~~ ^{JUNE}, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of United Fire & Casualty Insurance Co. (NAIC #13021), (hereinafter "the Company"), report number 0708-12-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, does hereby adopt such report as filed. After consideration and review of such report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §374.205.3, RSMo and §374.046.15. RSMo Cum. Supp. 2006, is in the public interest.

IT IS THEREFORE ORDERED that the Company shall CURE the violations of law, regulations or prior orders revealed in such report and shall take remedial action to bring the Company into compliance with the statutes and regulations of the State of Missouri.

So Adopted, Found, Concluded and Ordered.

6-11-09

Date


John M. Huff
Director



UNITED FIRE GROUP®

*United Fire & Casualty Company
United Life Insurance Company
Addison Insurance Company
Lafayette Insurance Company
United Fire & Indemnity Company
United Fire Lloyds
Texas General Indemnity Company*

May 19, 2009

ATTN CAROLYN KERR
DIVISION OF INS MARKET REGULATION
MO DEPT OF INS
PO BOX 690
JEFFERSON CITY MO 65102-0690

RE: Missouri Market Conduct Examination #0708-12-TGT
United Fire & Casualty Insurance Company (NAIC #13021)

Dear Ms. Kerr

On behalf of the underwriting department we'd like to extend our appreciation to the exam team for their flexibility in accepting our data in different formats. It was a pleasure to deal with such a professional and courteous group. With regards to the incorrect building age factor applied to policy xxxx9169, we are in agreement with these findings. Since our error will result in an increase in premium to the insured we are planning to wait until the September 2009 renewal to correct it.

On the claims portion of the exam we concur with the Department's findings in all eight instances. One error noted for lack of a 45 day notice to the insured. Seven of the findings dealt with no copies of sales tax affidavits in the file. In verbally following up with our claims staff on the seven files we found out the affidavits were given to the individuals but staff failed to document it with a copy of the form to the claim file. This is being corrected.

Thank you for your courtesies during the conduct audit.

Sincerely,

UNITED FIRE & CASUALTY COMPANY

Allan J. Schons
AVP & Claims Mgr.

Corey Ruehle
AVP & Underwriting Mgr.

AJS/ajs2

WALL

STATE OF MISSOURI
DEPARTMENT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
OF
UNITED FIRE AND CASUALTY INSURANCE COMPANY
NAIC # 13021

118 Second Avenue SE
Cedar Rapids, IA 52401

May 26, 2009

EXAMINATION NUMBER: 0708-12-TGT

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FOREWORD

This market conduct examination report of the United Fire and Casualty Insurance Company is, overall, a report by exception. Examiners cite errors the Company made; however, failure to comment on specific files, products, or procedures does not constitute approval by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Examiners use the following in this report:

“The Company” and “United Fire” refer to United Fire and Casualty Insurance Company;

“DIFP” and “Department” refer to the Missouri Department of Insurance, Financial Institutions and Professional Registration;

“NAIC” refers to the National Association of Insurance Commissioners;

“RSMo” refers to the Revised Statutes of Missouri; and

“CSR” refers to the Code of State Regulation.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo. In addition, §447.572, RSMo, grants authority to the DIFP to determine compliance with the Uniform Disposition of Unclaimed Property Act (§447.500 et seq.).

The purpose of this examination is to determine if United Fire complied with Missouri statutes and DIFP regulations and to consider whether Company operations are consistent with the public interest. The primary period covered by this review is July 1, 2007, through June 30, 2008; however, examiners include all discovered errors in this report.

Although examiners report the errors discovered in individual files, this report focuses on general business practices of United Fire and Casualty Insurance Company. The DIFP has adopted the NAIC published error tolerance rate guidelines. Unless otherwise noted, examiners apply a 10 percent (10%) error tolerance criterion to underwriting and rating practices and a seven percent (7%) tolerance criterion to claims handling practices. Error rates greater than the tolerance suggest a general business practice.

This examination is primarily directed to the following company operations as related to commercial automobile and commercial multi-peril operations including:

Sales and Marketing;

Underwriting and Rating;

Claims Practices; and

Consumer Complaints.

Examiners conducted this examination at DIFP's office located in St. Louis, Missouri.

EXECUTIVE SUMMARY

Examiners discovered the following areas of concern:

In one (1) instance, the Company failed to apply the correct rating factor when determining a commercial multi-peril policy premium which resulted in an undercharge.

In seven (7) instances, the Company failed to provide the insured with a copy of a sales tax affidavit as required.

In one (1) instance, the Company failed to notify the insured within 45 days and every 45 days thereafter that additional time was needed to complete the investigation of the claim.

EXAMINATION FINDINGS

I. SALES AND MARKETING

In this section of the report, the examiners report their findings regarding how the company complied with the laws that monitor sales and marketing practices. Due to time and cost restraints, examiners reviewed a sample of the Company's licensing records and marketing materials.

A. Licensing of Producers

Missouri law requires companies to sell insurance products through individuals and entities that hold a current license from the DIFP. The purpose of a license is to protect the public by providing competent and trustworthy producers.

During underwriting and rating reviews, examiners documented producers involved in producing the business. The examiners randomly verified the entities were properly licensed.

The examiners discovered no errors during this review.

B. Marketing Practices

United Fire and Casualty Insurance Company markets its products through the independent agency system.

Missouri law requires producers to be truthful and provide adequate disclosure while selling the insurance products.

The Company also provides information about its products through the Internet where the Company maintains a web site.

The examiners discovered no discrepancies when the examiners reviewed the site.

C. Company Overview and Background

According to information provided by the Company, United Fire was founded in Cedar Rapids, Iowa, in 1946 and grew "...from a small automobile insurance company into a successful regional carrier." The Company offers a complete line of insurance products through the independent agency system. Products include personal insurance, commercial insurance, life insurance and surety bonds. United Fire and its' subsidiaries include United Fire & Casualty Company and the wholly owned insurance subsidiaries of United Life Insurance Company, Lafayette Insurance company, Addison Insurance Company, United Fire & Indemnity Company, and United Fire Lloyds.

II. UNDERWRITING AND RATING PRACTICES

In this section of the report, the examiners report their findings of the Company's underwriting and rating practices. These practices include, but are not limited to, the use of policy forms, adherence to underwriting guidelines, premiums charged, and procedures to cancel, nonrenew, or reject coverages. Because of the time and cost involved in reviewing each policy file, the examiners use scientific sampling. For this review, a sampling unit represents a policy file with one complete premium amount involving the charges provided or restricted by endorsements, issued, or re-rated during the examination. The most appropriate statistic to measure the Company's compliance is the percent of files in error. Errors can include, but are not limited to, any miscalculation of the premium based on file information, improper acceptance or denial of an application, and failure to observe Missouri statutes or DIFP regulations.

A. Forms and Filings

The examiners reviewed the Company's policy forms to determine compliance with filing, approval, and content requirements. This helps to assure that contract language is not ambiguous and is adequate to protect those insured.

The examiners discovered no errors in this review.

B. Underwriting and Rating

Commercial Automobile

Field Size:	1,073
Sample Size:	100
Type of Sample:	Random
Errors:	0
Error Ratio:	0%
Within department guidelines:	Yes

The examiners discovered no errors in this review.

Commercial Multi-Peril

Field:	1,218
Sample Size:	100
Type of Sample:	Random
Errors:	1
Error Ratio:	1%
Within Department Guidelines:	Yes

In one instance, the Company applied an incorrect building age factor resulting in a premium undercharge of \$63.00.

References: §379.321, RSMo, 20 CSR 500-4.100, 20CSR 500-4.200, and 20 CSR 100-8.040

(2) & (3)

Policy Number

xxxx9169

C. Cancellations, Nonrenewals, and Rejections

The examiners reviewed policies that the Company terminated before the scheduled expiration date and applications that the Company rejected because of failing to meet underwriting guidelines. Policies were selected from all policies canceled, nonrenewed, or rejected during the time frame of the examination for commercial automobile.

Commercial Automobile

Field:	38
Sample Size:	38
Type of Sample:	Census
Errors:	0
Error Ratio:	0%
Within Department Guidelines:	Yes

The examiners discovered no errors in this review.

Commercial Multi-Peril

Field:	28
Sample Size:	28
Type of Sample:	Census
Errors:	0
Error Ratio:	0
Within Department Guidelines:	Yes

The examiners discovered no errors in this review.

D. Practices Not in the Best Interest of Consumers

The examiners also looked for products and practices that were not in the best interest of consumers, but may expose the Company to potential liability.

The examiners discovered no issues in the underwriting practice reviews.

II. CLAIMS PRACTICES

In this section, examiners review claim practices of the Company to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and DIFP regulations. Due to the large number of claim files, examiners

are unable to review each claim. As such, examiners conduct scientific sampling of claim files. A claim file, as a sampling unit, is an individual demand for payment or action under an insurance contract for benefits that may or may not be payable. The most appropriate statistic to measure compliance with the law is the percent of files in error. An error can include, but is not limited to, any unreasonable delay in the acknowledgment, investigation, payment, or denial of a claim. Errors also include the failure to calculate benefits correctly or to comply with Missouri laws regarding claim settlement practices.

Claim files were also reviewed to determine compliance with the unfair settlement practices statute, other statutes and regulations, as well as general policy provisions. Missouri law requires that insurers and agents disclose to first-party claimants all pertinent benefits, coverages and other provisions of an insurance policy under which a claim is presented. The company must give claim denials to the claimant in writing and retain a copy in the file.

The examiners reviewed (1) commercial automobile physical damage claims; (2) commercial automobile uninsured/under insured motorist claims; (3) commercial automobile medical payments; and (4) commercial multi-peril property claims.

A. Unfair Settlement Practices, General Handling & Timeliness

1. Commercial Automobile Physical Damage Claims

Field Size:	286
Sample Size:	200
Type of Sample:	Random
Number of Errors:	8
Error Rate:	4%
Within department guidelines:	Yes

In seven instances, the Company failed to provide to the insured a copy of a sales tax affidavit relative to a total vehicle loss.

References: §144.027, RSMo, and 20 CSR 100-8.040(3)(B)3

Claim Number

xxx5119

xxx4773

xxx5485

xxx4171

xxx5149

xxx4848

xxx5991

In one instance, the Company failed to notify the insured within 45 days and every 45 days thereafter that additional time was needed to complete the investigation of the claim.

Reference: 20 CSR 100-1.050(1)(C)

Claim Number

xxx9740

2. Commercial Automobile Uninsured/Underinsured Motorist Claims

Field Size:	4
Sample Size:	4
Type of Sample:	Census
Number of Errors:	0
Error Rate:	0%
Within department guidelines:	Yes

The examiners discovered no errors in this review.

3. Commercial Automobile Medical Payments

Field Size:	9
Sample Size:	9
Type of Sample:	Census
Number of Errors:	0
Error Rate:	0%
Within department guidelines:	Yes

The examiners discovered no errors in this review.

4. Commercial Multi-Peril - Property

Field Size:	310
Sample Size:	104
Type of Sample:	Random
Number of Errors:	0
Error Rate:	0%
Within department guidelines:	Yes

The examiners discovered no errors in this review.

B. Practices Not in the Best Interest of Consumers

The examiners also looked for claims practices that were not in the best interest of consumers, but may expose the Company to potential liability.

The examiners discovered no issues in the claims practices reviews.

IV. CONSUMER COMPLAINTS

Section 375.936(3), RSMo, requires companies to maintain a register of all complaints it receives for at least three years. The statute requires the record to show the total number of complaints, classified by line of insurance, nature of complaint, disposition and time to process the complaint.

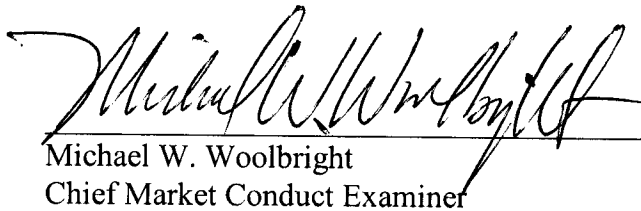
The Company's records show it received 19 complaints between January 1, 2005, and December 31, 2007. The Department received all 19 of these complaints. The Company received no complaints directly from the complainants.

The Group maintains a log of all written complaints.

There were no discrepancies.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of United Fire & Casualty Insurance Co. (NAIC #13021), Examination Number 0708-12-TGT. This examination was conducted by John F. Hemmersmeier, Gary Bird, and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated February 23, 2009. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.


Michael W. Woolbright
Chief Market Conduct Examiner

May - 26 - 09
Date